

# Private Governance

EES 3310/5310

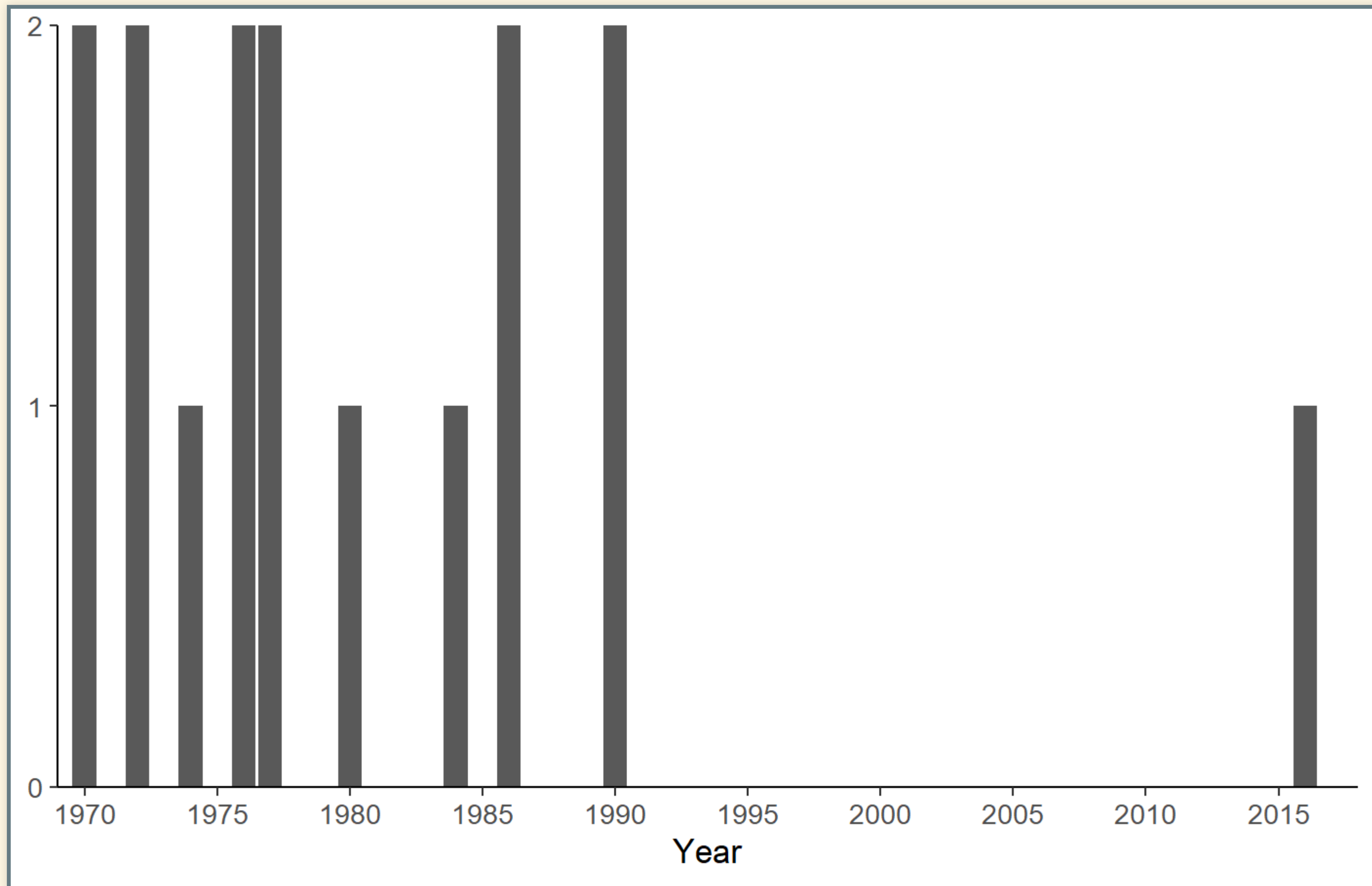
Global Climate Change

Jonathan Gilligan

Class #40: Monday April 26 2021

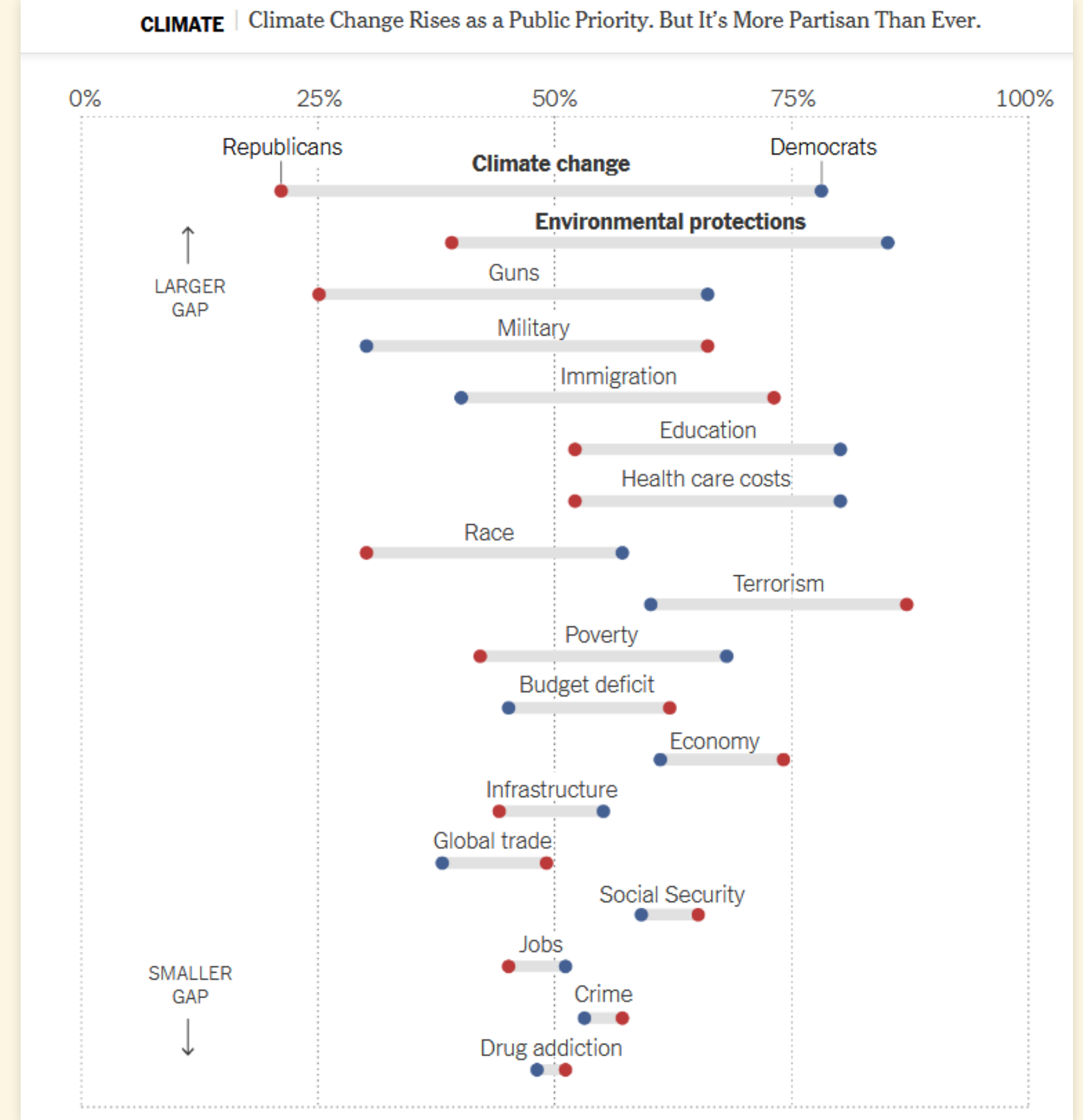
# Obstacles to Public Governance

# Major Pollution-Control Statutes



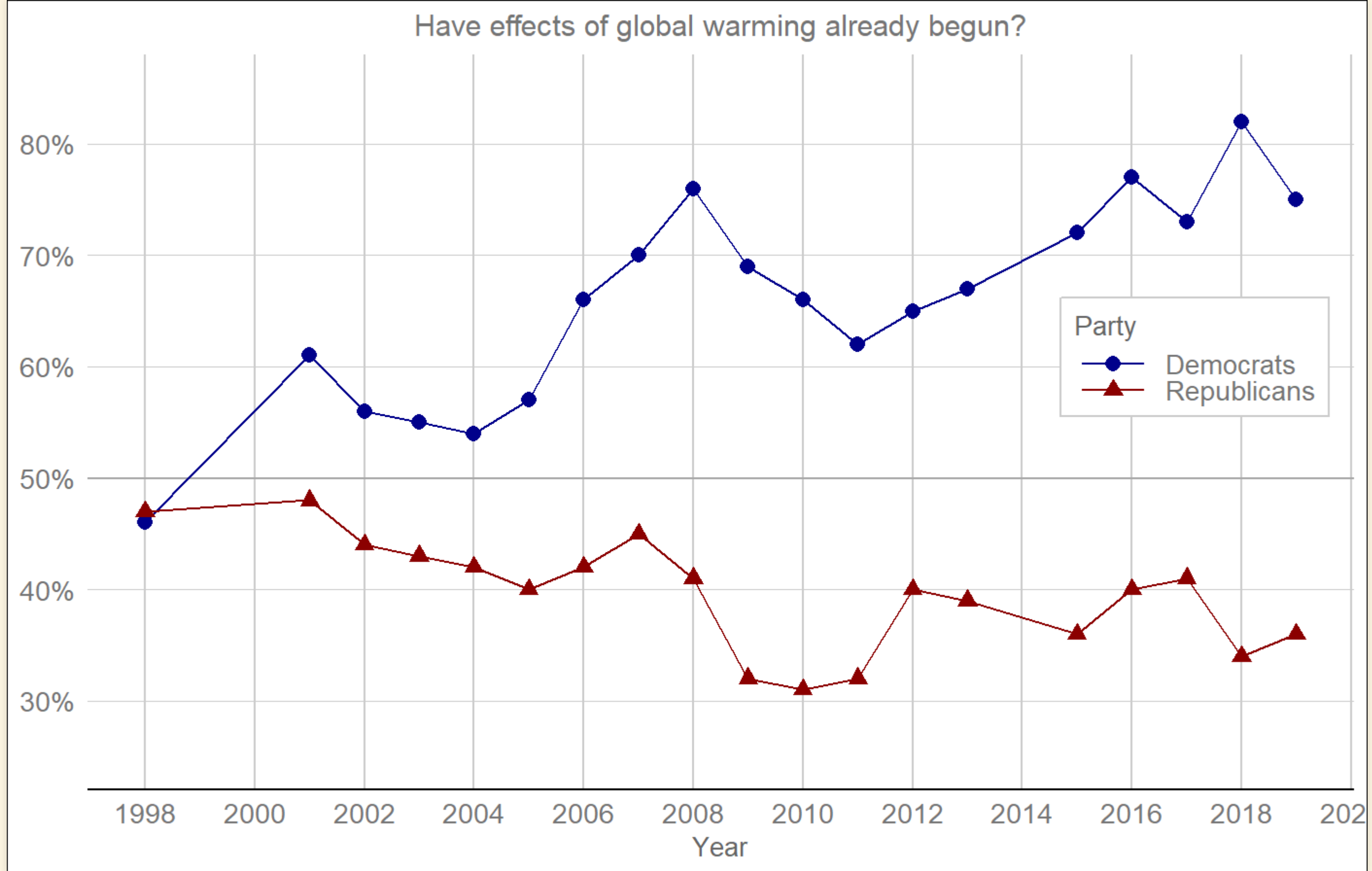
# Partisan Split:

- Climate policy is the most divisive issue
- Greater partisan polarization than abortion



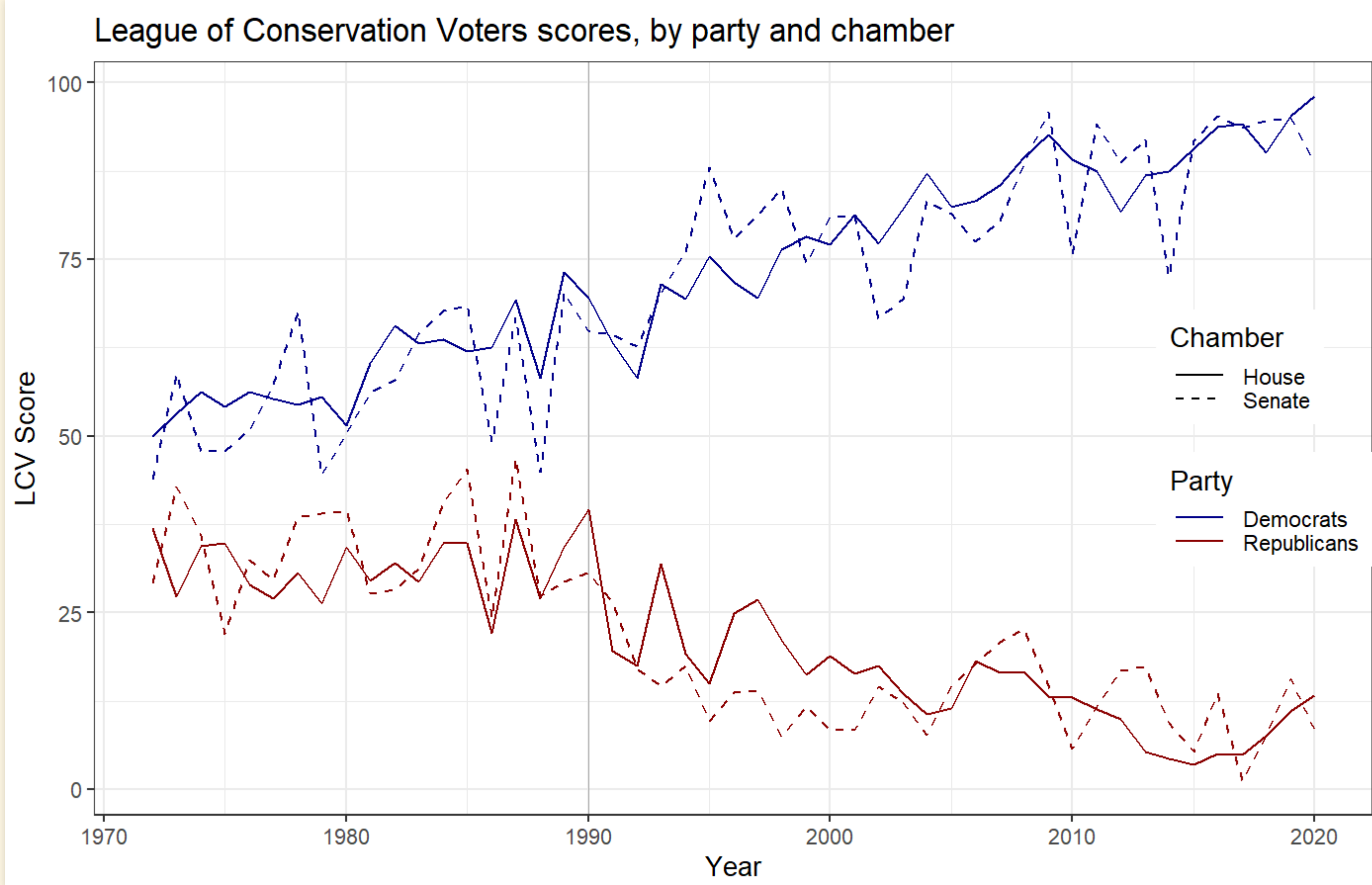
Pew: As Economic Concerns Recede, Environmental Protection Rises on the Public's Policy Agenda

# Partisan Split on Science



Gallup: Americans' Views on Global Warming, 2019, U.S. Concern About Global Warming at Eight-Year High (2016) Republican Skepticism Toward Global Warming Eases (2013),

# Polarization in Congress 1970–2015



# Problems Are Deeper than Partisanship

- Public distrust of “big government”:
  - 67% of the public think *big government* is a greater threat to the nation than *big business* or *big labor*.
    - 81% of Republicans
    - 67% of Independents
    - 51% of Democrats

Gallup, "Americans Still See Big Government as Top Threat (2017)"



Photo credit: Michael Gerrard

# Psychological Heuristics

- Solution aversion:

*If a solution is unpalatable, deny the problem exists.*

- Motivated reasoning:

*Desire to reach a certain conclusion leads to biased and selective examination of evidence*

- Cultural cognition:

*Credibility of expertise depends on perception of shared values.*

*Trust is based on feeling someone would understand what's important to you.*

*Someone who shares your cultural roots.*



# Solution Aversion

*I assumed like everybody else, way back when everyone was talking about global warming and all that, I assumed that that was probably right until I found out what it was going to cost. — Sen. James Inhofe*

Jack Fitzpatrick, "Inhofe Thought Climate Science Was 'Probably Right' Before He Saw Price Tag." *Morning Consult*, Dec. 8, 2016.

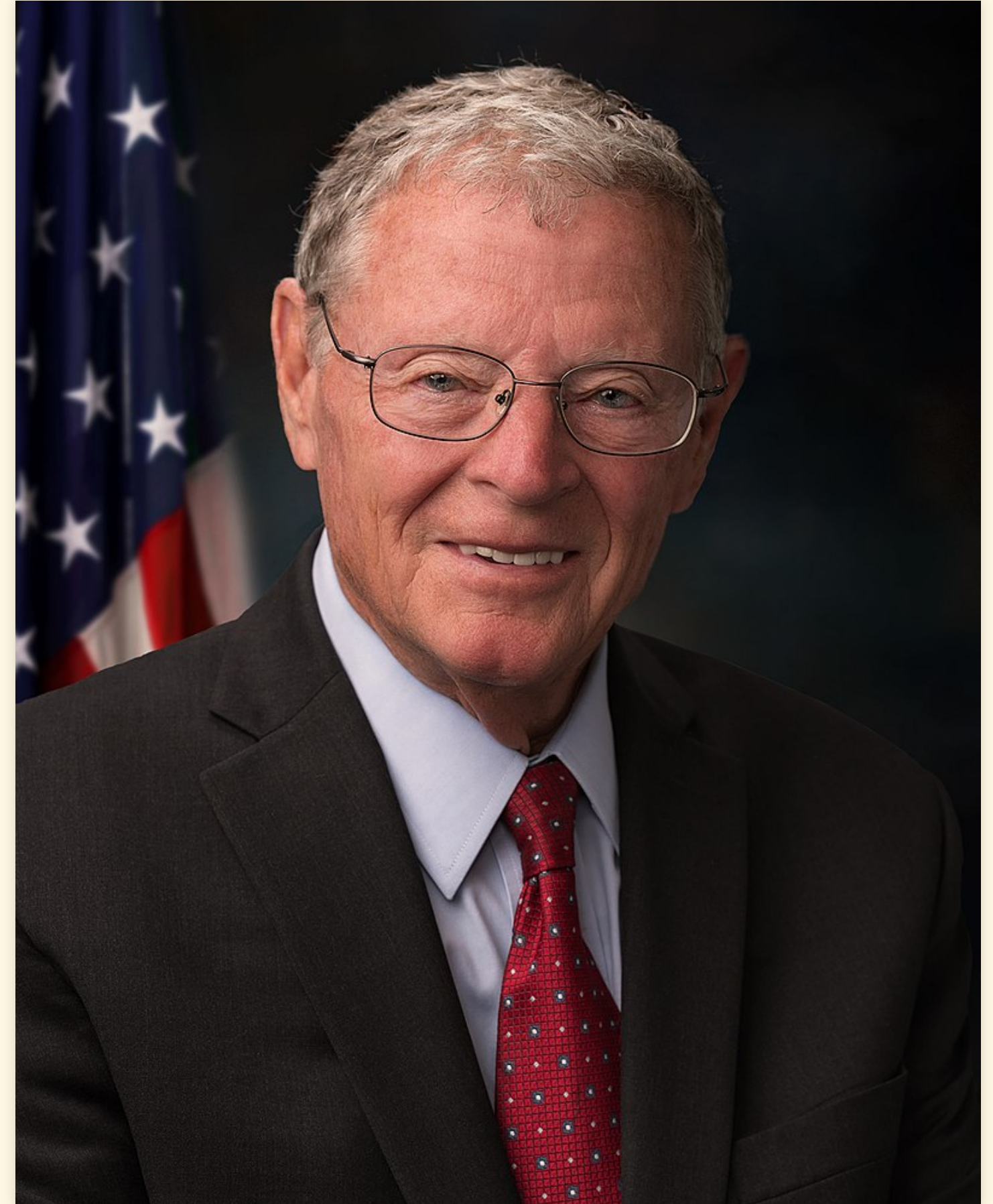


Photo credit: U.S. Senate Photography

# Problems with Policy Approach So Far

- Focus on **best** solutions (e.g., carbon tax)
- Emphasis on how well it will work when put into practice
- Neglects how hard it is to get government to adopt best solutions
  - “Political opportunity cost”
- Second-best or third-best may be easier to enact quickly

*A good plan violently executed now is better than a perfect plan executed next week  
—Gen. George Patton, attrib.*

# Private Governance

# Private Environmental Governance

- **Actor:**
  - Government → Private organization
- **Action:**
  - Law, policy → Private initiative

# Corporate Initiatives

- Carbon Disclosure Project (CDP)
  - 10,000 companies have disclosed their greenhouse gas emissions,
  - Used by investors with \$106 trillion in assets
  - Participating companies reduced their emissions by 522 million tons CO<sub>2</sub>e in 2018
- Two thirds of the S&P 500 have set climate or clean-energy targets
- Over 20 major insurance companies limit sales to fossil-fuel intensive companies

# Specifics

- WalMart pledged 1 billion tons CO<sub>2</sub>e emissions cuts through 2030
- Microsoft has been 100% carbon neutral since 2012
  - Pledged to remove all its past CO<sub>2</sub> emissions by 2050
- Google went carbon-neutral in 2017
  - Pledged to power all operations with renewable energy by 2030
  - Investing in 5 billion watss of renewable power
  - Will work with 500 cities to reduce their emissions by more than 1 billion tons/year

# Policy Analysis for Private Governance



# Principles of Private Governance Analysis

- **Technical Potential**

*Reduction if everyone takes action*

- **Behavioral Plasticity**

*What fraction of actors would take action with appropriate incentives?*

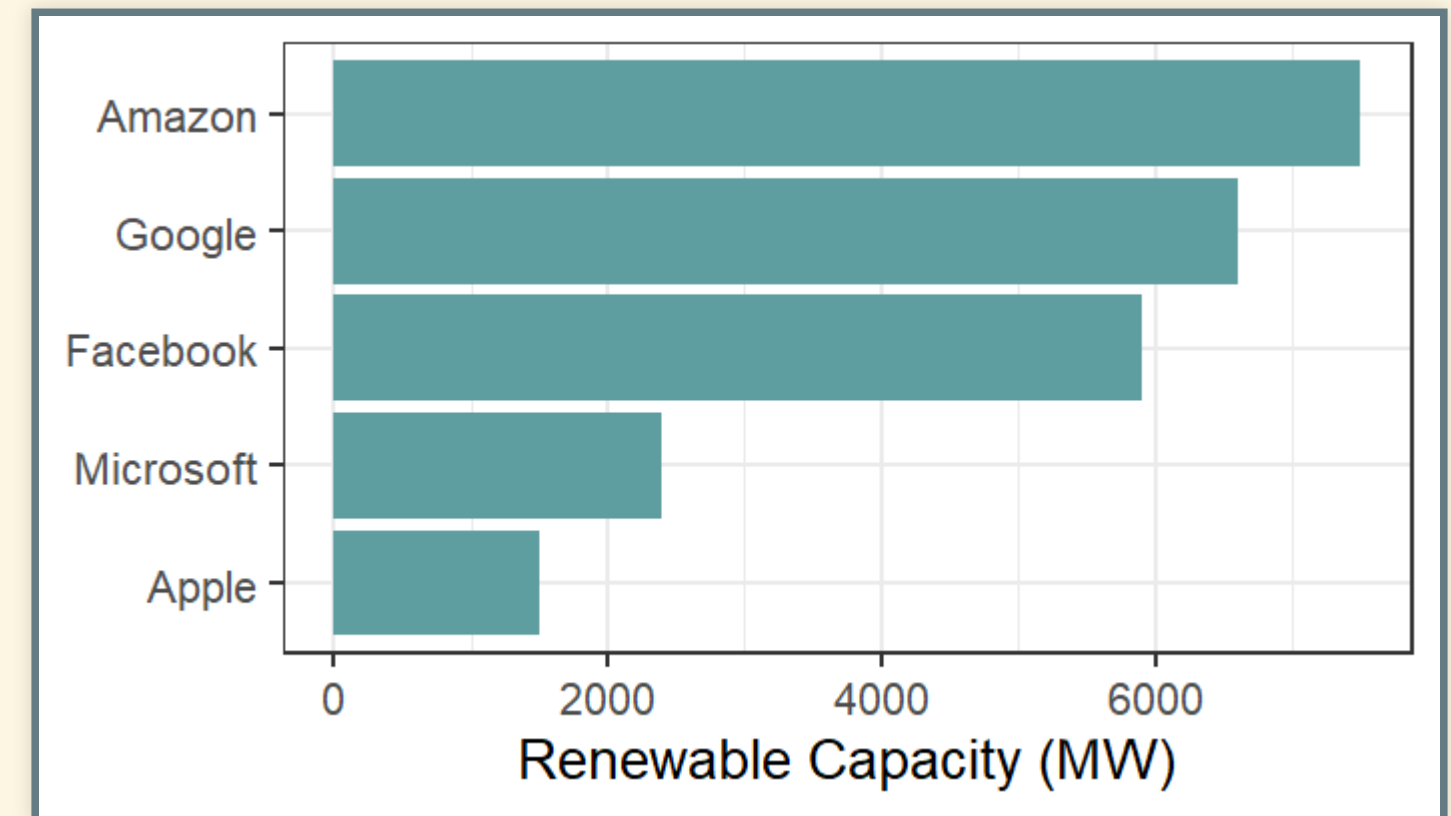
- **Policy Plasticity**

*Potential for public or private actors to provide incentives*



# Corporate Pressure to Adopt Green Energy

- Southeastern states:
  - Hostile to renewable energy
  - Heavy coal use
- Corporate pressure
  - Offer big data center, but only if renewable energy is available
  - Amazon, Apple, Facebook, Google, Microsoft
- Over 1000 MW new renewable power planned for NC, TN, VA



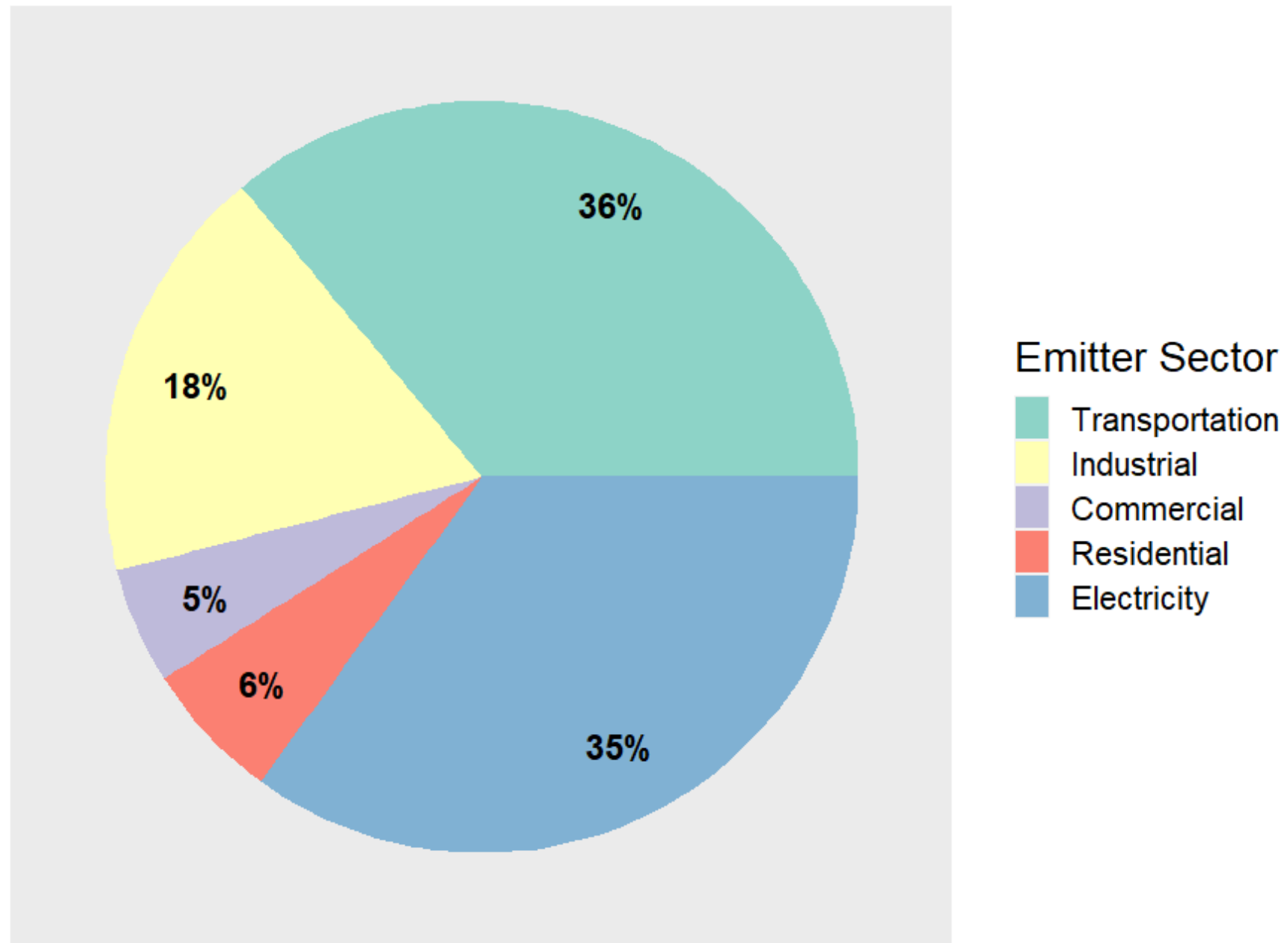
# Diet and Climate

- Livestock produce 14–18% of greenhouse gas emissions
  - Beef and lamb are much worse than other kinds of meat
- Employers motivating employees to eat less meat:
  - WeWork requires all business meals to be vegan
  - Copenhagen Business School makes vegetarian meals the default.
    - Employees can opt-out and order meat
    - 90% of meals were vegetarian
    - Employees voted to keep the program
  - Google is studying what motivations work best to reduce employee meat consumption
  - Burger King, White Castle, other chains add meatless burgers
- Plant-based products could replace 10% of global meat market by 2030
  - This would reduce emissions by 750 million tons CO<sub>2</sub>-equivalent

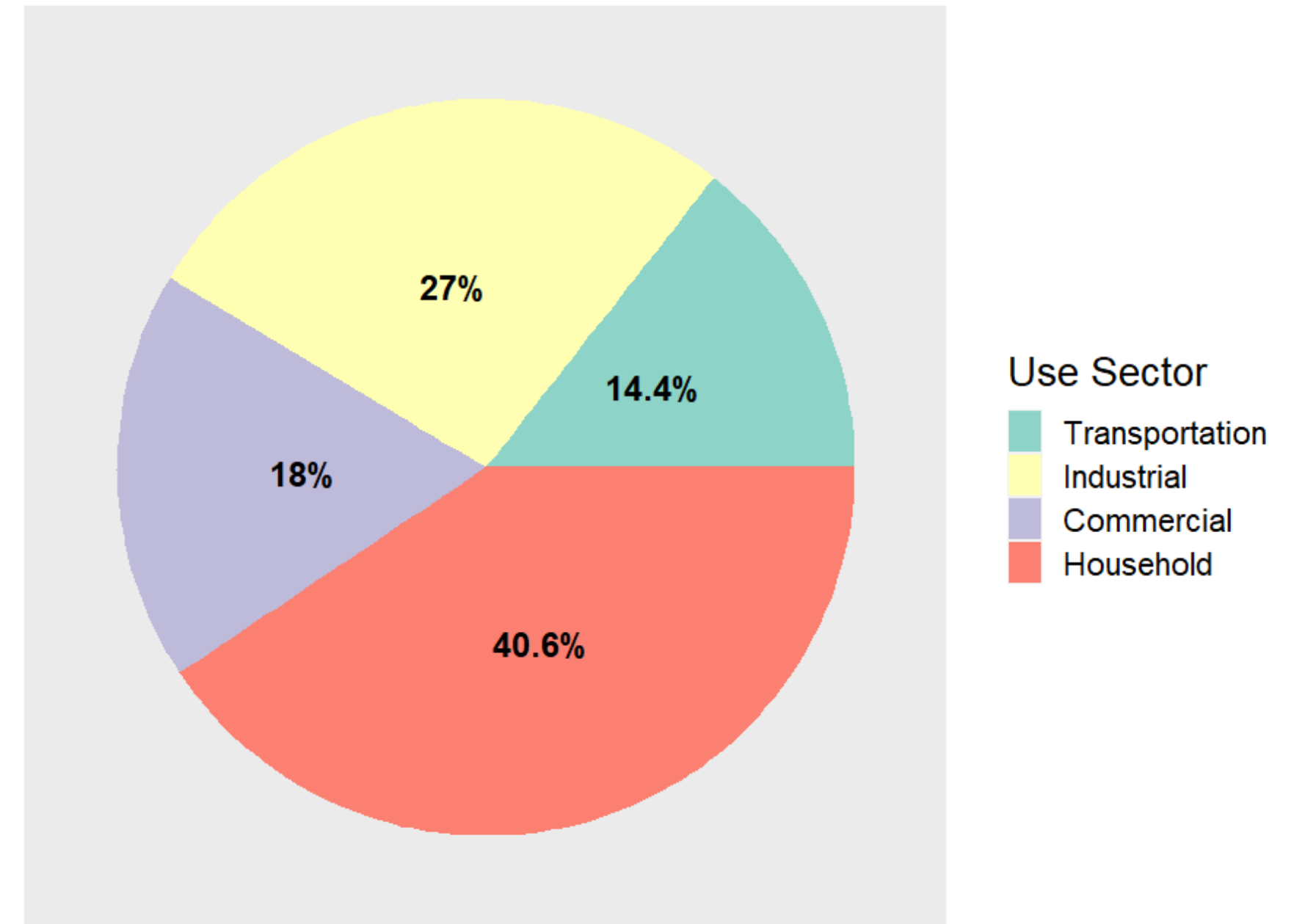
# Household Sector

# Who Emits CO<sub>2</sub>?

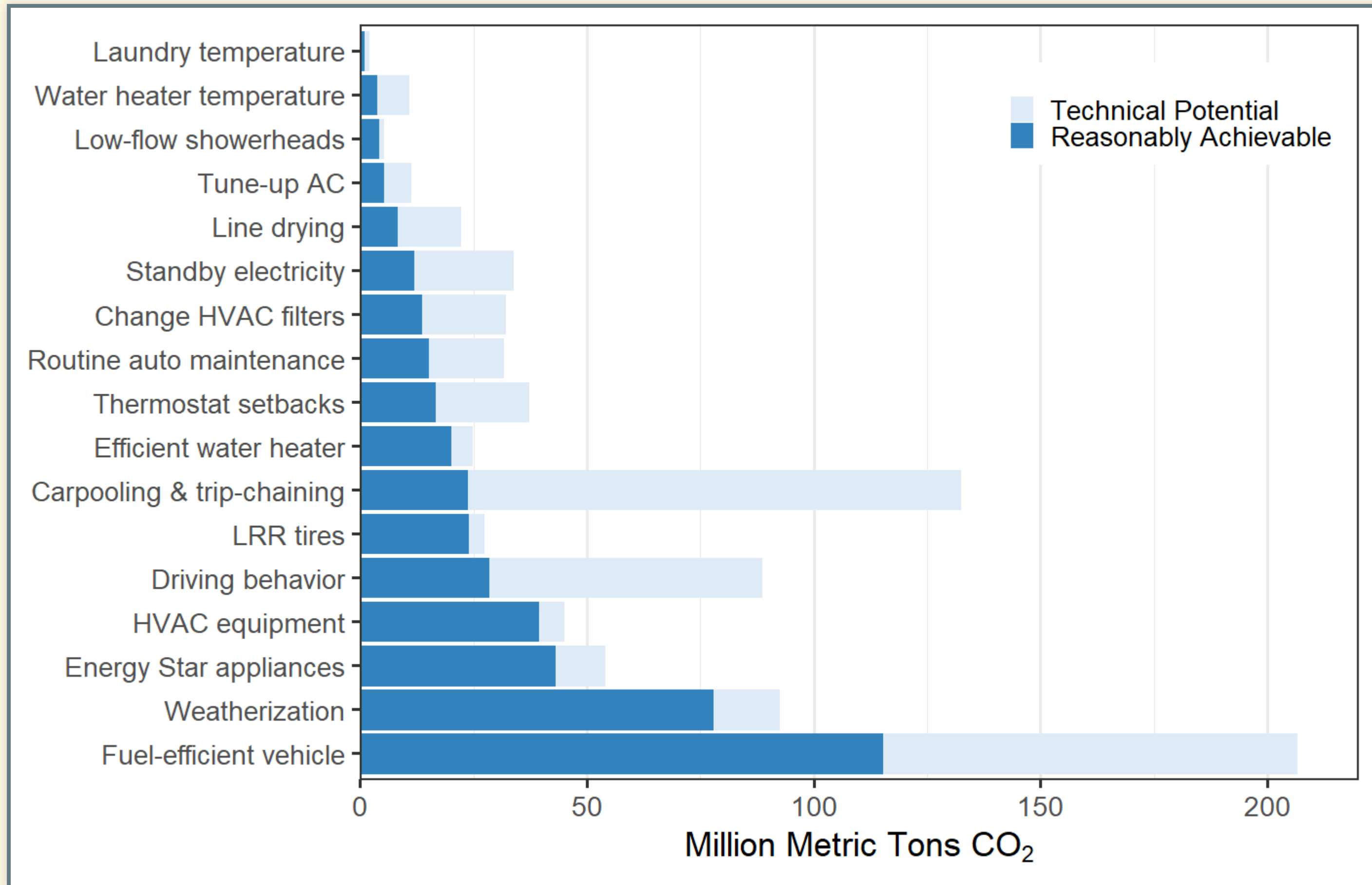
CO<sub>2</sub> emissions by sector of emitter



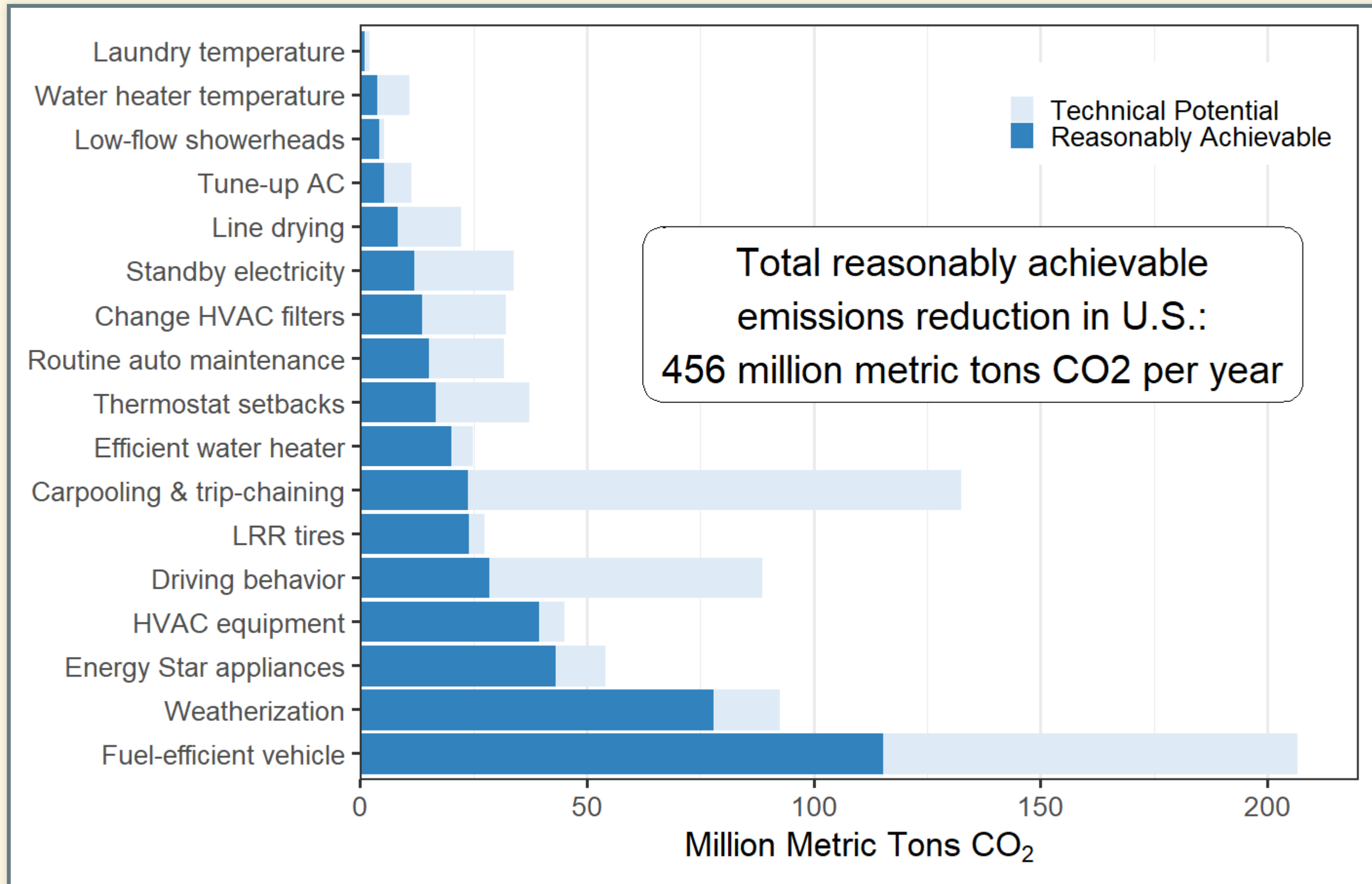
CO<sub>2</sub> emissions by sector of user



# Behavioral Wedge Analysis



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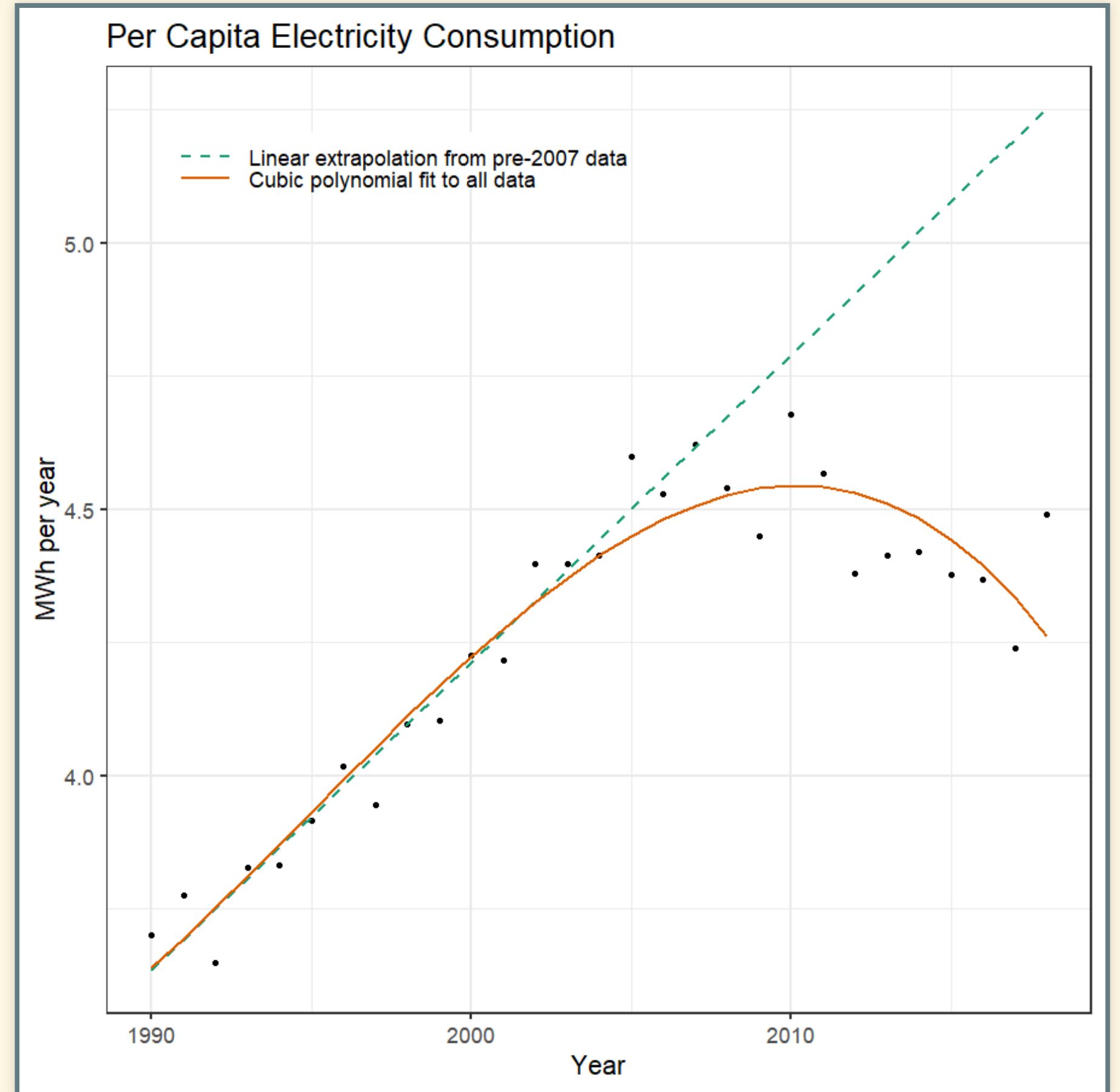
# Principles for Policy Design

1. Prioritize high-impact actions
2. Financial assistance
  - An action may save money in the long run, but a household may not have money today
3. Publicize the program
4. Provide valid information from a credible source at points of decision
  - You may want to buy the more environmentally friendly product, but when you're at the store, you need to be able to quickly figure out which product is better.
5. Keep it simple and convenient
6. Provide quality assurance



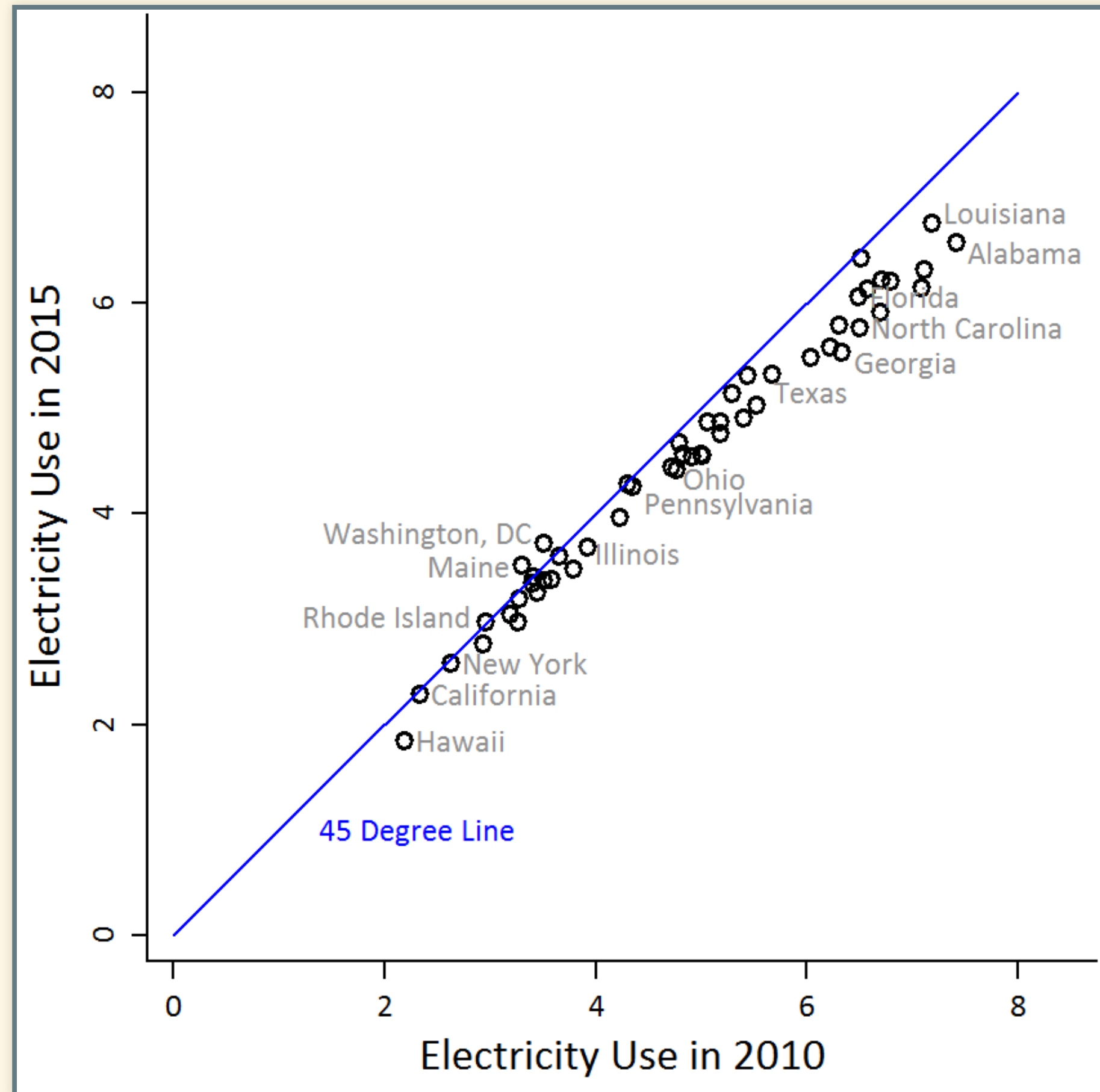
# Recent Developments: Household Electricity Use

- LED and CFL lighting saves consumers money & reduces greenhouse gas emissions
- Reduced household electricity use cut U.S. emissions by 130 million metric tons of CO<sub>2</sub>.





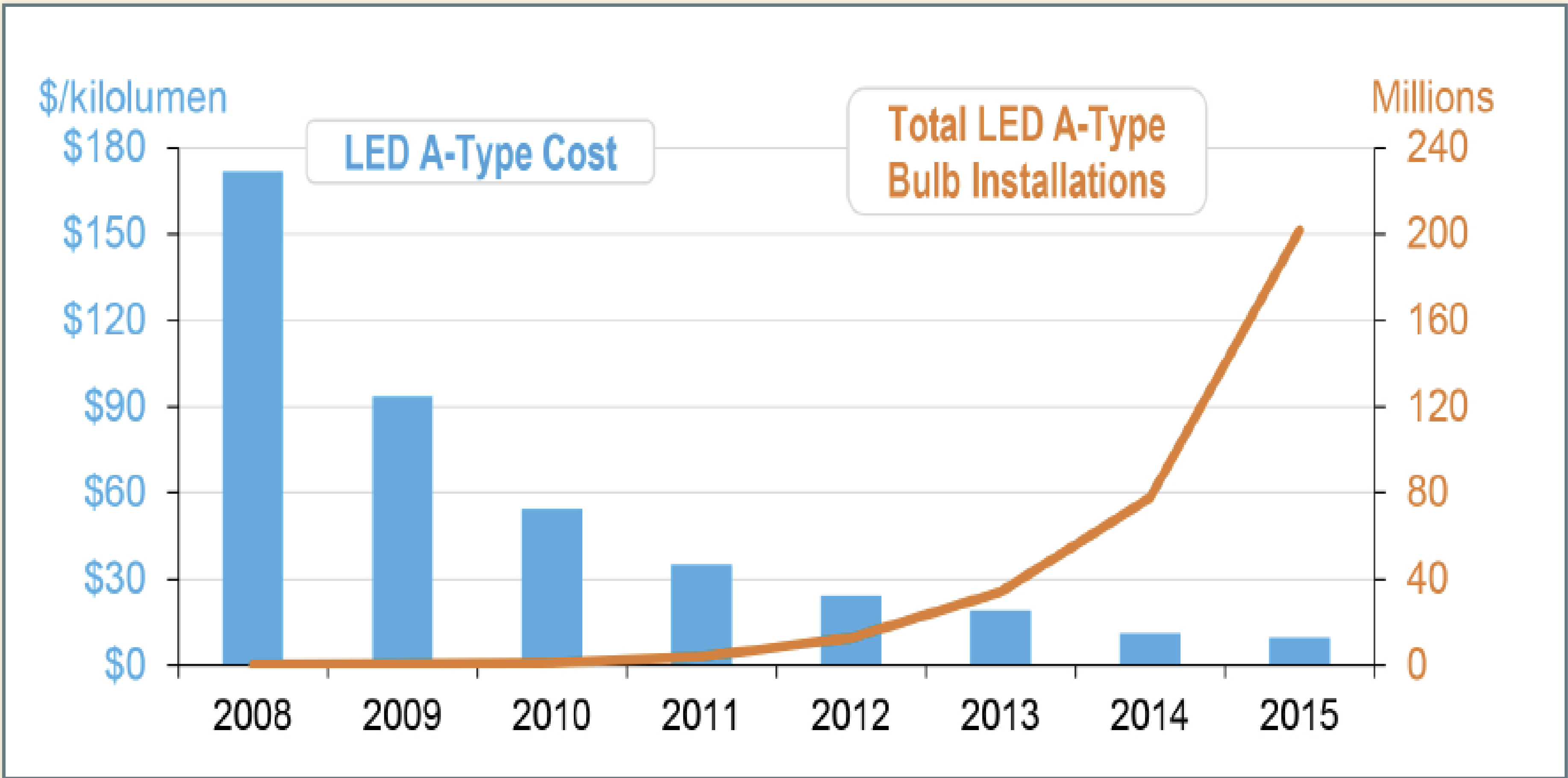
# Reductions in 48 States



# Private Governance

- 2007: WalMart sets and exceeds goal of selling 100 compact fluorescent light bulbs in one year.
  - Meets goal in 10 months
- 2011: WalMart launches competition among suppliers:
  - Best high-quality LED bulb under \$10: We will help you sell hundreds of millions!
- 2013: WalMart teams up with TCP to launch 60W equivalent bulb for less than \$9
- Replacing 5 most used bulbs in your house with LEDs will save around \$75/year

# LED Light Bulb Sales



# Conclusions

# Conclusions

- Political gridlock threatens public governance
  - Most policy analysis ignores political feasibility
- Private governance can likely reduce global emissions by more than 1 billion tons per year rapidly
- This isn't even close to solving the whole climate problem
- But it can help considerably, and buy time to enact other measures.
- May promote bipartisan agreement about climate science
  - But may polarize views about private businesses engaging in governance